

# Governor's GMAP

## Economic Vitality – Assignment – DOR/ESD/L&I

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### Progress Report

#### PURPOSE

The Department of Revenue (DOR), Labor and Industries (L&I), and Employment Security Department (ESD) agree it is in our best interest to share information on our auditing processes and audit findings. The sharing of knowledge and information will assure that all employers are paying their fair share. It is agreed that we will reduce redundancies in audit selection processes and improve the quality of audit referrals. Collaboration among agencies will increase taxpayer compliance. Increased compliance levels the tax burden across Washington State business.

#### HISTORY

When we met at the May 2006 Governor's GMAP we committed to doing the following:

##### **1. Improve audit effectiveness by cross-training staff**

We will cross-train our audit personnel, so that they can use audits to improve taxpayer education and identify issues of concern for the other taxing agencies.

##### **2. Improve effectiveness at dealing with the underground economy by formalizing a process for cross-agency referrals**

We will set up a process for sharing results of audits and tax discovery of companies that have failed to register with one agency or attempted to evade a tax.

#### PROGRESS REPORT

##### **1. Improve audit effectiveness by cross-training staff**

○ First meeting of working group; lead identified	Jun. 16, 2006	<u>Completed</u>
○ Curriculum scope, content and delivery defined	Aug. 8, 2006	<u>Completed</u>
○ Curriculum development will be complete	Sep. 31, 2006	<u>In Process</u>
○ Delivery products completed	Oct. 16, 2006	<u>On Target</u>
○ Training of staff will begin	Oct. 31, 2006	<u>On Target</u>
○ Training will be complete	Jan. 12, 2007	<u>On Target</u>

This committee has met several times and has decided to deliver its product in electronic format. The training will utilize audio visual format and will meet Americans with Disabilities Act (ADA) requirements. The product will be delivered on Compact Disc (CD) and can be on each agency's Intranet. Each agency will be responsible for ensuring staff are trained and given credit for their training.

The training consists of four training modules:

- Module 1: (Approximately 40 min.) A basic overview of the audit function in all three agencies, specifically identifying where our investigations and audits parallel or intersect, as well as areas of non-compliance common to all three agencies.
- Module 2: L&I information and processes.
- Module 3: ESD information and processes.
- Module 4: DOR information and processes.

Module 2-4 will contain the following information for each agency:

- Purpose of taxes.
- Agency definition of taxes they receive and who is exempt.
- Who's required to pay? Define "Tax Payer." Reference to RCWs & WACs.
- Reason why each agency audits, aside from a level playing field.
- Define audit methodologies and types.
- What records does each agency look at and review.
- Red flags—what are they (most common non-compliance)?
- How does each agency estimate? Does each agency have a process for estimating?
- What defines fraud for each agency?

## **2. Improve effectiveness at dealing with the underground economy by formalizing a process for cross-agency referrals**

○ First meeting of working group, lead identified	Jun. 16, 2006	<u>Completed</u>
○ Scope, content, and delivery defined	Jul. 19, 2006	<u>Completed</u>
○ Finalize criteria and referral process	Sep. 30, 2006	<u>In Process</u>
○ Begin process	Oct. 1, 2006	<u>In Process</u>
○ First report on results	Jun. 30, 2007	<u>On Target</u>

This group has met several times and has finalized the scope of information to be used. The group is reviewing what data exist today and is learning what is important to each agency. Currently, several referral processes exist and the group will review those for possible expansion.

- We will set up a process for sharing information of audits and tax discovery of companies that have failed to register with one agency or attempted to evade a tax. Our scope will be limited to tax information available at ESD, L&I, and DOR.
- Review data-sharing agreements.
- Review information we currently share
- Investigate possibility of sharing IRS information between the three agencies.
- Review existing fraud line processes
- An intra-agency referral form is being developed for use by all three agencies.